



Legislative Audit Division

State of Montana

Report to the Legislature

May 2006

Performance Audit

Improving In-Home Services Contract Monitoring

**Department of Public Health and Human Services
Child and Family Services Division**

The Child and Family Services Division within the Department of Public Health and Human Services provides in-home services to children and families to mitigate actual or potential risks of child abuse and neglect. The division relies upon contractors to provide most in-home services. This report includes recommendations for improving the division's contract management practices for assuring contract services meet division program requirements.

**Direct comments/inquiries to:
Legislative Audit Division
Room 160, State Capitol
PO Box 201705
Helena MT 59620-17075**

04P-12

Help eliminate fraud, waste, and abuse in state government. Call the Fraud Hotline at 1-800-222-4446 statewide or 444-4446 in Helena.

PERFORMANCE AUDITS

Performance audits conducted by the Legislative Audit Division are designed to assess state government operations. From the audit work, a determination is made as to whether agencies and programs are accomplishing their purposes, and whether they can do so with greater efficiency and economy. The audit work is conducted in accordance with audit standards set forth by the United States Government Accountability Office.

Members of the performance audit staff hold degrees in disciplines appropriate to the audit process. Areas of expertise include business and public administration, mathematics, statistics, economics, political science, criminal justice, computer science, education, and biology.

Performance audits are performed at the request of the Legislative Audit Committee which is a bicameral and bipartisan standing committee of the Montana Legislature. The committee consists of six members of the Senate and six members of the House of Representatives.

MEMBERS OF THE LEGISLATIVE AUDIT COMMITTEE

Senator Joe Balyeat, Vice Chair
Senator John Brueggeman
Senator Jim Elliott
Senator Dan Harrington
Senator Lynda Moss
Senator Corey Stapleton

Representative Dee Brown
Representative Hal Jacobson
Representative Christine Kaufmann
Representative Scott Mendenhall
Representative John Musgrove, Chair
Representative Janna Taylor

Legislative Audit Division

Performance Audit

In-Home Services Program

**Department of Public Health and Human Services
Child and Family Services Division**

Members of the audit staff involved in this audit were Angie Grove and Kent Wilcox.

Table of Contents

List of Tables	ii
Appointed and Administrative Officials	iii
Report Summary	S-1
Chapter I - Introduction.....	1
Introduction.....	1
Audit Scope, Objective, and Methodologies	1
Chapter II - Background.....	3
Introduction.....	3
In-Home Services Critical to Division Goals and Objectives.....	3
In-Home Services Refers to a Broad Array of Services and Programming	3
Program Funding	4
Program Operations	5
Chapter III - Improving Contractor Monitoring.....	7
Introduction.....	7
Essential Contract Management Responsibilities	7
Monitoring Should Assure Services Meet Contract Specifications and Expectations	7
Monitoring Could Be Expanded to Include Examining Costs of Services.....	8
Effectiveness of Contracted Services Also Not Known	10
The Division Could Expand Contractor Monitoring to Include Additional Performance Measurement	11
The Division Should Clarify Contract Expectations and Requirements	12
Contract Payments Not Based on Services Provided	12
Other Agencies' Contracts Include Clear Contract Specifications	13
Contract Requirements Based on Contractor Proposals	13
The Division Could Improve its Management Information Capabilities	14
Existing System is Time-Consuming	14
System Has Limited Reporting Capabilities	15
A Desktop Management Information System Would Increase Staff Efficiencies	15
Agency Response	A-1

List of Tables

Tables

Table 1	In-Home Services Program Expenditures by Funding Source.....	4
Table 2	Service Costs for Sampled Contractors	8
Table 3	Cost Avoidance Analysis for Contractor Sample.....	10
Table 4	Types of Performance Measures	11

Appointed and Administrative Officials

Department of Public Health and Human Services

Joan Miles, Director

John Chappuis, Deputy Director

Shirley K. Brown, J.D., Administrator,
Child and Family Services Division

Bruce Deitle, Chief, Program Bureau,
Child and Family Services Division

Introduction

The Child and Family Services Division (division) provides in-home services to children and families to mitigate actual or potential risks of child abuse and neglect. In-home services refer to a broad array of services such as teaching parents basic life-skills, coordinating community-based services, and providing “hard” services such as basic necessities for children. The division provides these services to mitigate risks of abuse and neglect so children may remain in their homes while the division works to address the underlying problems and to reunify families if children are removed from their homes for their safety and well-being.

The division relies primarily upon contractors to provide in-home services. Since the basic contract services procurement goal is to obtain the right services at the right price from the right provider, our main objective was to determine whether the division’s contract management activities provide assurances contracted services meet contract requirements and division expectations.

The Division Has Been Strengthening Its Contract Monitoring Practices

During the audit, the division began strengthening its contract monitoring practices, improving contractor reporting and management information systems, implementing onsite contract monitoring, and analyzing contracted service costs. Audit work indicated the division should continue to improve its in-home services contracting practices to increase contractor accountability and improve evaluation of contracted services.

The Division Could Expand Contract Monitoring

The division has focused contract monitoring efforts primarily on tracking the number of children and families receiving services, but does not have a full range of performance measures that provide assurances contractor services meet contract requirements, achieve expected outcomes, or that costs are reasonable. For example, analysis of a sample of fiscal year 2005 contracts indicated contractors’ hourly rates ranged from approximately \$31 per hour to \$165 per hour, which suggested factors other than regional and local cost differences affected hourly rates. Further analysis indicated the division might have avoided up to \$211,000 of contract expenditures in seven of the 2005 contracts by setting limits on the maximum

Report Summary

hourly rate. According to the division, subsequent review of contracts indicated improper documentation or travel requirements contributed to higher hourly rates. While actual cost avoidance may be less, without effective monitoring the division has limited assurance services costs are reasonable. We recommend the division expand in-home services contract monitoring efforts to analyze additional performance measures.

The Division Should Clarify Contract Requirements

The division should ensure all contracts set clear contract specifications. While some contracts included detailed descriptions of contracted services, other contracts included only general descriptions of service requirements or expectations. For example, the division expects contractors to reasonably accommodate client schedules by providing services during evening or occasional weekend hours but does not specify minimum contractor hours for providing services. Also, most contracts we reviewed paid contractors based on their operating costs, not on services actually provided or on contractor performance.

During the audit, the division stated it had modified several contracts to pay contractors using a fee-for-service payment schedule that will more clearly set standards for contractor payments. We recommend the division continue to improve contracts to ensure contract specifications are clearly stated and specify measurable criteria for contractor payments.

The Division Can Improve Its Management Information Capabilities

The division could improve its management information system for tracking and monitoring contractor activities more efficiently and effectively. The existing system does not have controls to ensure contractors record activities uniformly and consistently. These limitations require additional staff time to “clean” contractor-reported data and compile data for reporting purposes. Additionally, the system was not designed for reporting purposes and requires staff to create and generate reports on an ad hoc basis. A desktop management information system (e.g., Access or dBase) would increase staff efficiencies with improved data management and reporting capabilities.

Report Summary

The division converted from a paper-based reporting system to an electronic system, which improved its management information capabilities. We recommend the division continue to update its management information system to improve data accuracy and reporting capabilities.

Chapter I - Introduction

Introduction

The Legislative Audit Committee requested a performance audit of the In-Home Services Program within the Child and Family Services Division (division) at the Department of Public Health and Human Services (department). The division provides in-home services to children and families to mitigate actual or potential risks of child abuse and neglect. The division also provides these services to promote reunification of families when a child has been removed from the home for safety reasons.

Audit Scope, Objective, and Methodologies

Since the division relies upon contractors to provide in-home services, our main objective was to determine whether the division's contract management activities assure contractor accountability for services provided.

To address the objective, we:

- ▶ Interviewed division management and personnel.
- ▶ Reviewed a sample of in-home services contracts.
- ▶ Analyzed data from a sample of contractors' monthly activity reports.
- ▶ Examined division practices for monitoring and evaluating contractor services.
- ▶ Reviewed other states' contracting practices.

Audit scope was limited to examining administration of in-home services contracts for fiscal year 2005.

Audit planning work indicated the division could improve its contracting practices to provide better assurance contracted in-home services meet children and families' needs and that services costs are reasonable. Consequently, we focused audit scope on division monitoring practices. We did not examine the following contract administration activities:

- ▶ Contractor selection and award processes.
- ▶ Expenditures of program funds for program services the division provides.

Chapter I - Introduction

- ▶ Examination of onsite contractor records.
- ▶ Division compliance with state procurement laws.
- ▶ Division compliance with state and federal program requirements.

Chapter II - Background

Introduction

When the division determines children are at risk of abuse and neglect, or have been abused and neglected, it may provide in-home services to:

- ▶ Mitigate the risk so a child or children may remain in the home while the division works to address the underlying problems that pose risks.
- ▶ Reunify the family if a child or children must be removed from the home for their safety and well being.
- ▶ Promote stability and permanency for children in foster care and through adoptive services.

The chapter presents information about the in-home services program.

In-Home Services Critical to Division Goals and Objectives

Federal and state laws set permanency and safety requirements for child protective services, which include making reasonable efforts to prevent the removal of children from their homes and reunifying families when possible. In-home services are critical components to the division's family preservation and child safety goals and objectives for complying with these laws.

In-Home Services Refers to a Broad Array of Services and Programming

In-home services refers to a broad array of services for children and their parents. In-home services can range from teaching parents basic life-skills to coordinating various community-based services with social workers and other professionals. Examples of in-home services include:

- ▶ Family-based services. These services are provided in the home to teach parents basic life skills such as parenting, nutrition and food preparation, budgeting, and personal hygiene.
- ▶ Supervised visitation. When children must be removed from their home, the division provides supervised visitation to help maintain family relationships. This service may range from observing visitations solely to ensure child safety to teaching parenting skills.
- ▶ Case management services. These services include coordinating division and community-based services and resources for clients

Chapter II - Background

and caseworkers, documenting and reporting client activities, and assessing client progress.

- ▶ “Hard” services. Hard services include assisting families to meet or obtain essential needs. Hard services can include providing necessities, such as a crib for new mothers, or arranging transportation for family members to obtain services or attend scheduled appointments.

The division selects contractors based on responses to requests for proposal. The division contracts with approximately 15 not-for-profit organizations to provide in-home services in most areas of the state. The number of contractors varies depending on contractor availability and whether the division or contractors cancel or do not renew contracts.

Program Funding

The division spends approximately \$2 million annually for in-home services from the state General Fund and the federal Safe and Stable Families grant program (IV-B program). Table 1 provides program expenditure information for fiscal years 2002 through 2005.

Table 1
In-Home Services Program Expenditures by Funding Source
Fiscal Years 2002-2005

Funding Source	FY2002	FY2003	FY2004	FY2005
General Fund	\$1,457,513	\$1,022,484	\$1,164,793	\$947,705
Federal IV-B	707,311	574,197	1,022,314	1,243,418
Total Expenditures	\$2,164,824	\$1,596,681	\$2,187,107	\$2,191,123

Source: Compiled by the Legislative Audit Division from SABHRS

The division allocates most program funds to the division’s five administrative regions. Funds are allocated based on factors such as the number of children in care and the number of abuse and neglect allegations. In fiscal year 2005 the division allocated 93 percent of program funds to the regions and retained 7 percent of the funds for statewide needs such as providing services to foster and adoptive families. Regions used approximately 75 percent of program funds for contracted services and remaining funds for other program costs.

Program Operations

The division has one FTE, a program officer, assigned to manage the program. The program officer's responsibilities include assisting regional personnel with requests for proposals and contract awards, compiling and reviewing contractor reports, reviewing contractor invoices, in-home services policy development and training, and providing management with program information.

Division personnel said obtaining contracted services is difficult in some areas. The division has authorized one region to hire personnel to provide these services and is considering hiring personnel in other regions.

Chapter III - Improving Contractor Monitoring

Introduction

This chapter presents more detailed information about the division's in-home services program and recommendations for improving management of in-home services contracting and program accountability.

Essential Contract Management Responsibilities

The basic contract services procurement goal is to obtain the right services at the right price from the right provider. To meet that basic goal, best contract management practices recommend implementing controls that provide assurance:

- ▶ Service costs are reasonable.
- ▶ Contractors provide the expected services.
- ▶ Services meet expected standards.

Good contract management provides greater assurance that service costs are reasonable and result in outcomes that help the division meet its goals and objectives for children and families in the child protective services system (CPS). A good contract management system can increase staff efficiencies and provide greater personnel and fiscal resource flexibility.

Monitoring Should Assure Services Meet Contract Specifications and Expectations

Monitoring is essential for ensuring contractors' services meet contract specifications and division expectations. Without effective monitoring, the division has increased risks that contracted services do not meet division requirements or expectations such as:

- ▶ Failing to make timely contact with clients.
- ▶ Not providing services in client homes.
- ▶ Reporting nonbillable hours for payment.
- ▶ Recording program services incorrectly.
- ▶ Not providing services as requested.
- ▶ Not submitting timely closure reports or evaluations.
- ▶ Services not provided by qualified staff or as specified in the contract.

Chapter III - Improving Contractor Accountability

The division has been strengthening its contract monitoring practices. Several years ago the division began requiring contractors to submit monthly activity reports about individual clients using an electronic spreadsheet. Division personnel also began examining contractor costs and conducting onsite reviews of contractor activities and records during the course of this audit.

Monitoring Could Be Expanded to Include Examining Costs of Services

Although the division monitors contract expenditures to ensure contractor payments do not exceed contract amounts, it has not examined in-home services costs related to services provided. Analysis of 7 of 16 contracts and contractor-reported information for fiscal year 2005 indicates costs for similar services varied significantly (e.g., cost per hour or cost per family). For example, contractors' hourly rates ranged from approximately \$31 per hour to \$165 per hour. Table 2 provides more detailed information about costs for contractors in our sample.

Table 2
Service Costs for Sampled Contractors
Fiscal Year 2005 Contracts

	Contract Payments	Service Hours	Effective Hourly Rate	Families Served	Cost per Family	Children Served	Cost per Child
Contractor A	\$ 396,545	12,776	\$ 31.04	313	\$ 1,267	445	\$ 891
Contractor B	60,642	1,615	37.55	38	1,596	38	1,596
Contractor C	150,573	3,093	48.68	115	1,309	124	1,214
Contractor D	33,853	446	75.90	20	1,693	51	664
Contractor E	83,792	1,028	81.51	46	1,822	118	710
Contractor F	75,151	656	114.56	33	2,277	43	1,748
Contractor G	180,124	1,090	165.25	36	5,003	85	2,119
Total/Unit Costs	\$ 980,680	20,704	\$ 47.37	601	\$ 1,632	904	\$ 1,085

Source: Compiled by the Legislative Audit Division from Child and Family Services Division records.

We anticipated these costs would vary because of differences in local and regional operating costs such as employee wages, building costs, and transportation. However, the wide variations suggest other factors are impacting costs. Identifying these cost variations for

Chapter III – Improving Contractor Accountability

further examination should be part of a control system to help establish the right services at the right price. According to division management, their subsequent review of some contractor activities indicated improper contractor reporting practices and travel requirements impacted hourly rates for at least two contractors.

Contract monitoring also is a useful strategy for controlling future costs. For example, our analysis indicated the division could have reduced future contract costs by setting maximum allowable hourly rates. Table 3 provides information on potential cost avoidance based on the assumption services would be available at the rates used in our analysis. While actual cost avoidance may be less, without effective monitoring the division has limited assurance service costs are reasonable.

Chapter III - Improving Contractor Accountability

Table 3
Cost Avoidance Analysis for Contractor Sample
Fiscal Year 2005 Contracts

	Actual	Estimated at \$50 per Hour Maximum¹	Estimated at \$65 per Hour Maximum²
Contract Expenditures	\$ 980,679	\$ 768,763	\$ 817,064
Cost Savings	\$0	\$ 211,916	\$ 163,615
Cost Per Child	\$ 1,085	\$850	\$904
Cost Per Family	\$ 1,632	\$ 1,279	\$ 1,360
Hours of Service	20,704	24,942 (4,238 more hours)	23,221 (2,517 more hours)
Children Served	904	1,153 (249 more children)	1,128 (224 more children)
Families Served	601	767 (166 more families)	721 (120 more families)
¹ Average contracted services hourly rate for contractor sample. ² Median contracted services hourly rate for contractor sample. Note: Actual cost avoidance could be higher since some contractor costs were less than the average and median hourly rates.			

Source: Compiled by the Legislative Audit Division from Child and Family Services Division Records.

As Table 3 illustrates, the division might have avoided up to \$211,000 in actual expenditures. By avoiding costs, the division could provide the same level of services with less General Fund money or serve more families at the same funding level.

Effectiveness of Contracted Services Also Not Known

Service cost is only one performance measure. Contract monitoring should also include a performance measurement component that provides for comprehensive analysis of contracted services effectiveness, or outcomes. The division does not have a full range

Chapter III – Improving Contractor Accountability

of performance measures to determine the extent that contractors' services help the division achieve its goals and objectives.

There are four basic types of performance measures. Table 4 provides descriptions of performance measures and examples of potential in-home services performance measures.

Table 4
Types of Performance Measures

Performance Measure	Description	Examples
Output Measure	A quantifiable indicator of the number of goods or services an agency produces.	1. Number of children served. 2. Number of families served. 3. Service hours provided.
Efficiency Measure	A quantifiable indicator of productivity expressed in unit costs, units of time, or other ratio-based units.	1. Cost per hour of service. 2. Cost per child served. 3. Cost per family served.
Outcome Measure	A quantifiable indicator of the public and customer benefits from an agency's actions.	1. Rate of substantiated abuse and neglect incidents. 2. Rate of children re-entering the child protective services system. 3. Rate of children re-entering foster care.
Explanatory Or Input Measure	An indicator of factors, agency resources, or requests received that affect performance.	1. Number of children or families referred. 2. Child or family risk assessment. 3. Reasons families exit in-home services programming.

Source: Compiled by the Legislative Audit Division.

The Division Could Expand Contractor Monitoring to Include Additional Performance Measurement

The division could expand contractor monitoring to include additional types of performance measures. While the division has tracked the number of children and families served and recently started monitoring service costs, it has not established outcome measures or identified explanatory measures for more extensive analysis of contractor services. With its improved contractor reporting, the division already collects some information necessary for additional analysis. The division should continue to develop additional relevant performance measures. The division can

Chapter III - Improving Contractor Accountability

subsequently modify performance measures and data collection efforts as it refines its evaluation needs.

Recommendation #1

We recommend the Child and Family Services Division expand in-home services contractor monitoring efforts to analyze additional outcome and explanatory performance measures.

The Division Should Clarify Contract Expectations and Requirements

The division should also modify its contracts to better define and clarify contractor performance expectations. Some contracts provided only general descriptions of services to be provided. Other contracts, however, provided specific details about provided services. For example, one contract included weekly schedules of contractor activities with clients. Another contract included descriptions of how services are presented to clients, such as presenting parenting information, modeling good parenting skills, and evaluating client-parenting skills. The following examples illustrate the types of problems that can occur when contract requirements are not specific.

- ▶ Contractor availability. The division expects contractors to reasonably accommodate client schedules by providing services during evening or occasional weekend hours. Contracts do not specify minimum contractor hours for providing services.
- ▶ Billable hours. Fee-for-service contracts do not define “billable” hours. For example, contracts do not specify whether contractors may bill the division for time spent writing reports and preparing services plans or only for direct contact time with clients.

Contract Payments Not Based on Services Provided

Most in-home services contract payments are based on contractor operating costs, not services provided or contractor performance. In-home services contracts include contractors’ annual budgets for providing services to a specified number of families. Annual budgets are based on estimated operating costs, such as wages, equipment, and utilities. For most contracts, contractors submit monthly invoices of their operating costs for payment. Consequently, the division reimburses contractors for their costs regardless of services provided.

Chapter III – Improving Contractor Accountability

Other Agencies' Contracts Include Clear Contract Specifications

Standard contracting practices and state policy require clear contract specifications to ensure contractor accountability. Examples of better contract specifications we identified in contracts and requests for proposals (RFPs) from other state and local child protective services agencies included:

- ▶ Minimum standards for providing crisis intervention services.
- ▶ Minimum standards for client outcomes, such as percentage of clients demonstrating improved parenting skills.
- ▶ Definitions of billable services or billable time for individuals and family units.
- ▶ Specific requirements for evaluation and assessment services, including staff qualifications.

Contract Requirements Based on Contractor Proposals

In an effort to streamline the contracting process, the division uses generic language and incorporates, by reference, other contracting documents such as the RFPs and contractor services proposals. However, RFPs do not include performance measures or clear specifications for some requested services, and the detail in contractor proposals can vary significantly. Some contract requirements refer to division in-home services policies, which may describe what a contractor “should” do or what is “anticipated,” but not what is required for payment.

Without clear specifications, the division has less ability to hold contractors accountable for services provided and increases risks it will pay contractors for services that do not meet minimum expectations or for unexpected costs. Division management also stated additional time is spent responding to misunderstandings or disagreements resulting from unclear specifications.

During the audit, the division management stated it had modified several contracts to pay contractors on a fee-for-service basis. The division should continue its efforts to improve its contracting process by ensuring specifications for in-home services contracts are clearly stated and provide better assurance contractors are accountable for provided services. The division could set minimum specifications

Chapter III - Improving Contractor Accountability

and expectations in RFPs, and develop standardized contract sections specific to in-home services.

Recommendation #2

We recommend the Child and Family Services Division ensure that in-home services contracts:

- A. Define minimum specifications and expectations.**
- B. Specify measurable criteria for contractor payments.**

The Division Could Improve its Management Information Capabilities

The division could improve its management information system for tracking and monitoring contractor and program information. Our analysis identified two primary areas for improvement.

- ▶ Data collection and reporting controls. The electronic reporting spreadsheet used by contractors to record activities does not have system edits to ensure data is entered uniformly and consistently. Inconsistencies among contractors ranged from using different terms for documenting services to modifying client identification numbers.
- ▶ Data analysis and reporting. Contractor monthly reports are not maintained as a program database, but in separate files and worksheets that must be manually combined before using the data for management and program reporting purposes. Additionally, the system is not designed for data analysis and reporting purposes.

A good management information system should have several basic qualities:

- ▶ Provide quality data through internal controls that minimize data entry errors.
- ▶ Provide ready and timely access to data.
- ▶ Provide accurate and descriptive management information and reports that support performance evaluation.

Existing System is Time-Consuming

The current system's design is time-consuming, requiring significant staff time to prepare data for reporting purposes. Program staff must first edit or "clean" contractor data. Since data is maintained in a

Chapter III – Improving Contractor Accountability

fragmented information system, program staff must also compile monthly reports for each contractor before monthly, quarterly, or annual data can be analyzed. The program officer estimated she spends approximately 280 hours annually cleaning and compiling data. More analysis of management information could be completed if less staff time was required for these tasks.

System Has Limited Reporting Capabilities

The system was not designed for reporting purposes and requires staff to create and generate reports for each contractor or aggregate data, a time-consuming process. The division significantly improved its management information several years ago when it transitioned from paper reports to electronic spreadsheet reports. During this transition, the division also required contractors to report better information about services and clients served. The division has used the information to generate basic reports such as the number of clients served, minutes of services provided, and during the audit began using information to examine costs of services.

A Desktop Management Information System Would Increase Staff Efficiencies

Using a desktop management information system (e.g., Access, dBase, or Excel) would increase staff efficiencies for minimal costs. Information technology professionals estimated developing a system would require approximately 40 to 60 hours of programming and staff time. Some additional resources would likely be needed to provide training to contractors and division staff, which could potentially be included in training the division provides to contractors and division personnel. In return, a desktop management information system would:

- ▶ Improve data quality and reduce time necessary for cleaning and compiling contractor reports.
- ▶ Organize data for timely and ready access to program information.
- ▶ Provide automated reporting capabilities.
- ▶ Increase contract and program monitoring capabilities.
- ▶ Increase capabilities for identifying contractor and program risk and targeting monitoring activities.

Chapter III - Improving Contractor Accountability

The division could potentially save more than 240 hours annually, increasing staff time for onsite reviews and other contracting activities. During the audit, division management stated it would be developing and implementing a desktop management information system and training staff on its use and capabilities.

Recommendation #3

We recommend the Child and Family Services Division continue to update the in-home services management information system by strengthening:

- A. System edits to address data accuracy and uniformity.**
- B. Data analysis and reporting.**

Agency Response

DEPARTMENT OF
PUBLIC HEALTH AND HUMAN SERVICES



BRIAN SCHWEITZER
GOVERNOR

JOAN MILES
DIRECTOR

STATE OF MONTANA

RECEIVED

MAY 30 2006

LEGISLATIVE AUDIT DIV.

May 30, 2006

Mr. Scott A. Seacat
Legislative Auditor
Office of the Legislative Auditor
State Capitol, Room 160
Helena, Montana 59620-1705

Dear Mr. Seacat:

The Department of Public Health and Human Services appreciates the Legislative Audit Division's insightful recommendations resulting from its Performance Audit of In-Home Services (04P-12).

Although Child and Family Services doesn't agree with all statements made within the audit report we concur with its three recommendations for improving In-Home Services contract monitoring and will integrate these recommendations. A discussion of Child and Family Services' perspective regarding its major recommendations and corrective action plan is attached.

Please contact me if you have questions.

Sincerely,

A handwritten signature in cursive script that reads "Joan Miles".

Joan Miles,
Director

Cc Bruce Deitle
 Shirley K. Brown
 Marie Matthews

Improving In-Home Services Contract Monitoring Performance Audit Response and Corrective Action Plan 05/30/06

Recommendation #1: Child and Family Services Division expand In-Home Services contractor monitoring effort to analyze additional outcome and explanatory performance measures.

Concur

Over the past two and a half years Child and Family Services has developed and implemented a new Excel reporting system for In-Home Services contracts. This implementation was a significant step in quantifying its contract evaluation and producing more specific reports. This system allowed the audit to examine data elements that would otherwise not have been available. However, because the system was so new, the audit had to rely upon data from the second year of this system's operation; therefore, some data elements are best viewed as preliminary since the process of data collection was and is still being refined.

Some of the on-site reviews conducted recently pointed out that contractors were not accurately reporting service delivery units which inflated the dollar amount contained in the audit report. CFSD site visits identified reasons underlying some of the high hourly rates, such as underreporting of certain activities and the need for extensive travel in some rural areas. Corrective action has already been taken at sites where service delivery problems, reporting problems or high hourly rates were noted. CFSD will conduct ongoing site visits to evaluate contractor performance after implementation of fee-for-service provisions.

CFSD agrees that it would be advisable to look at both outcome and exploratory measures more comprehensively. The In-Home Services program has been producing outcome data and has begun producing cost effectiveness measures. Taking this to another level, CFSD acknowledges some limitations with existing performance measures. CFSD's current outcome indicators are limited to families currently receiving In-Home Services within specified time frames. For example, the number of out-of-home placements, placements prevented, and transitions from one type of placement to another (such as from non-related foster home to a kinship foster home).

Regarding exploratory performance measures, CFSD currently collects case closure dates and the reason for closure. However, before making calculations in this area, additional contractor training is needed to provide clarity in defining case closure. Other exploratory measures are not possible within the current system. This would require data connection between different systems to look more comprehensively at causal patterns over time. CFSD can manually calculate certain outcome measures, but ideally this could be

accomplished electronically, if the cost is allowable. CFSD will explore these options and associated costs.

Recommendation #2: Child and Family Services Division ensure that In-Home Services contracts: A. Define minimum specifications and expectations B. Specify measurable criteria for contractor payments

Concur

CFSD has implemented changes in the In-Home Services billing method with some contractors, moving from monthly cost reimbursements to fee-for-service, paying only for direct service hours. The remainder of In-Home Services contractors currently bill for their costs. CFSD has informed all current providers that upcoming contracts will require the use of a fee-for-service billing method. This will allow for measurable criteria upon which to base payments (service hours provided). CFSD has advocated for implementation but has struggled with service issues in rural areas, as well as identifying a workable and appropriate definition of billable hours that can be applied statewide by all contractors. A definition of billable hours, in keeping with the audit recommendation, will be incorporated into the In-Home Services contracts.

CFSD currently uses boilerplate contracts with program specifics listed in attachments; this allows for efficiency and continuity where needed across all types of contracts the Division holds. Where possible a set of statements that apply to a set of contracts will be moved from the attachments into the body of the contract. For example information currently contained in the “scope” and CFS “policies and procedures” will be incorporated to help underscore the importance of key requirements and promote consistency in service delivery practices among contractors.

To maintain contract flexibility not all program specifics will be moved into the body of the contract. Contractors provide a wide array of services through individualized Family Service Plans, thus contract language needs to be flexible to meet families’ needs. Service hours will be defined by funding amount and rate, however requiring a set configuration of services with corresponding measurements for all families’ services would result in “canned” Family Service Plans incongruous with a families’ needs.

Recommendation #3: Child and Family Services Division continue to update the In-Home Services management information system by strengthening: A. System edits to address data accuracy and uniformity, B. Data analysis and reporting.

Concur

CFSD agrees that the current In-Home Services information system should be strengthened. This would allow the program manager more time to perform monitoring tasks. CFSD has contacted a staff person in Eastern Montana to provide in-house technical assistance to convert the current Excel system to an Access system. It is anticipated this conversion will reduce the number of hours staff currently spends merging and reconfiguring spreadsheet data. The insertion of system edits is an appreciated recommendation, which likewise will reduce staff time spent correcting contractor data.

The program manager has also requested and received software programs that may serve to expedite data analysis. Once these programs are reviewed, including the cost, CFS will know whether any are a viable option.

CFSD proposes adopting the audit recommendations as follows.

PLANS FOR IMPLEMENTATION

Recommendation #1:	Completed By:
Continue to conduct formal contract monitoring visits (one site per month)	October 1, 2007
Provide training on problem areas (inconsistencies, coding, definitions, omissions) in reporting system, and/or incorporation of new elements to be measured. In conjunction with regional policy Training in September 2006—five training sites.	October 1, 2006
Recommendation #2:	
Conversion of most, if not all, contracts to a fee-for-service billing method	July 1, 2006
Incorporate general types of specifications into contract	July 1, 2006
Recommendation #3:	
Explore costs and systems	September 1, 2006
Train contractors on all reporting changes in conjunction with regional policy Training in September 2006—five training sites.	October 1, 2006
Begin implementation of improved data management system	October 1, 2006